

## UNIFORM ACCOUNTING PROCEDURES

### CAPITAL OUTLAY (Continued)

Note: The applicable fixed asset accounts will have to be adjusted for the value of the asset traded in, accumulated depreciation and equity.

	<u>Debit</u>	<u>Credit</u>
C. General Long-Term Debt Account Group		
Account #186 - Amount to be Provided for		
Payment of Debt Principal	\$75,235	
Account #304 - Lease Payable (Non-Current)		
\$75,235		

The entries to record the monthly payment of \$523.38 must be allocated to the debt (principal) and finance (interest) charges. The allocation amount can be determined from an amortization schedule or can be computed each month by multiplying the current unpaid balance times the 8% rate and dividing the product by 12. This results in the amount to be recorded as the monthly interest expense. The amount of the computed interest is deducted from the monthly payment of \$523.38 giving the amount of principal repayment.

To illustrate:

	<u>1st Payment</u>	<u>2nd Payment</u>	<u>3rd Payment</u>
Debt Balance	\$75,235.00	\$75,213.19	\$ 75,191.23
Interest (Debt Balance x 8% Divided by 12)	501.57	501.42	501.28
Principal Payment (\$523.38 Less Interest)	21.81	21.96	22.10
Next Month's Debt Balance (This Debt Balance Less Principal Payment)	\$75,213.19	\$75,191.23	\$ 75,169.13

D. The monthly entry to record the payment in the County Road Fund is:

	<u>Debit</u>	<u>Credit</u>
Account #991 - Principal	Amount of Principal	xxx.xx
	Payment (as computed)	xx.xx
Account #995 - Interest	Amount of Interest	
	(as computed)	
Account #001 - Cash		\$523.38

E. The Lease Payable and Amount to be Provided accounts in the long-term debt account group will be adjusted by the amount of the principal payment. This can be recorded monthly or at year end. If recorded at year end, the journal entry (transfer voucher) should list in the explanation the twelve monthly amounts that comprise the total.